

**From:** Dumoulin-Smith, Julien - RSCH AMRS [julien.dumoulin-smith@bofa.com]  
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## US Electric Utilities & IPPs

### PowerPoints: D/ES Offshore Wind, NWE EPS/DPS, AES Puerto Rico, & More

Industry Overview

Equity | 11 February 2022

#### Key takeaways

- Dominion disclosed timeline for offshore wind vessel use shows a tight window for Eversource Revolution & Sunrise wind.
- NWE small 4Q miss but reaffirm FY22. Timeline for generation updates appears protracted. Slim dividend increase at <2%
- AES is well positioned to gain share in Puerto Rico investment opportunity. Supports green blend-and-extend thesis.

FULL REPORT



## D/ES: Jones Act vessel to prove an issue for ES?

In Dominion Energy's (D) 4Q21 earnings slides, mgmt. disclosed the timeline for its offshore wind Jones Act-compliant vessel that is slated to be completed by the end of 2023. Eversource Energy (ES) and Orsted have a contract on the vessel to install turbines for the contracted (unregulated) Revolution and Sunrise Wind Projects starting in mid-2024, and Dominion will be recalling the vessel to be used for its Coastal Virginia Offshore Wind (CVOW) project in August 2025. This leaves ES/Orsted with approximately **one year** to install turbines for **two projects** while projects of similar scale have had an ~18 month timeline for installation with deviations related to seasonality. **Per Eversource's 3Q disclosures, Revolution Wind has a disclosed commercial operations date of 2025 and Sunrise has a commercial operations date of late 2025. This implies a very tight, if not overlapping, timeline for the projects.** ES/Orsted have not disclosed another method for installation of the projects, but we note they could take a similar barge approach to the installation of the South Fork project. Orsted recently stated that it is facing headwinds with Jones Act-compliant vessels in the US on its recent earnings call - details here from Feb 2<sup>nd</sup>. *A cautious data point for ES. We maintain Neutral on ES as we see risk as balanced at current valuation levels and the core utility earnings profile remains intact, in our view. Maintain Buy on D as we see ability for shares to re-rate to more of a premium as it executes on its industry-leading, legislatively-mandated decarbonization plan.* See more in our D first takes - LDC sale shows commitment to core regulated decarbonization story.

## NWE: Small 4Q Miss; FY22 on Track. Watching Generation

NWE reported adjusted 4Q EPS of \$1.04, slightly missing Consensus/BofAe of \$1.05, while reaffirming full year 2022 guidance of \$3.20-\$3.40. With the latest update and ongoing resource adequacy concerns, management noted that it has reduced its exposure to its projected 725MW shortfall of accredited capacity for Montana (MT) by 2025 through a combination of new and renewed Qualifying Facility contracts and increases to the forecast capacity accreditation of existing intermittent resources. **The company plans to submit an updated integrated resource plan by the end of 2022 or early 2023 followed by an all-source competitive solicitation request for capacity available in 2026** (while noting that the outcome in arbitration amongst co-owners of Colstrip Unit 4 may affect timing of the submission of the plan). In South Dakota, NWE's energy resource plans continue to identify portfolio requirements including potential investments resulting from a completed competitive solicitation process - with expectations to file an updated integrated resource plan in late 2022. Meanwhile, the company announced a modest 1.6% dividend increase and intention to file a MT rate case mid-year (2021 test year).

**Earnings recaps for Dominion (D here) and FirstEnergy (FE here); we maintain Buys on both with favorable risk-adjusted returns which we elaborate on.**

**Please see Page 2 for NWE and AES Puerto Rico.**



**Julien Dumoulin-Smith** ✉

Research Analyst

BofAS

+1 646 855 5855

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